

April 21, 2011

**Senate Committee on Public Health, Human Services, and Revenue  
Testimony  
Senate Bill 14**

Thank you madam chair and fellow members of the committee on public health, human services and revenue. I am pleased to talk with you today about Senate Bill 14, a bill that will help Wisconsin businesses create jobs and get the economy moving again.

The state legislature has done a lot this year to help get Wisconsin workers back on the job. But we need to continue the effort. Senate Bill 14 will give employers another tool to create jobs and turn the economy around. Senate Bill 14 conforms Wisconsin tax law to federal standards already in place, alleviating a headache for small business owners trying to balance the books.

To understand Senate Bill 14's impact to local businesses, it is helpful to understand the current tax deduction structure for the types of property included in the bill. Currently, at the time a business purchases goods such as manufacturing equipment or computers, the new property is assigned to an IRS depreciation schedule. Then, every year, the business may take a depreciation deduction according to that schedule.

Under Senate Bill 14, businesses are allowed to take the total future depreciation value of the purchase in the first year. This will provide businesses with an incentive to take bold action today, while we desperately need economic growth. In pure economic terms, this bill is all about recognizing the time value of money. Business leaders understand that a dollar today is much more valuable than the promise of a dollar down the road.

In future years, businesses will not have the depreciation to write off and their tax liability will reflect that. According to the Legislative Fiscal Bureau, this will have a net positive impact of nearly \$230 million on state finances from 2014 through 2017. The state will still end up collecting taxes due on the purchase of the new equipment, just in a more business-friendly way.

For too long, state government has been a barrier to businesses looking to expand. This is a job-friendly, business-friendly bill that does not cheat government. Approval of Senate Bill 14 by this committee will incentivize economic growth and job creation, at a time Wisconsin needs it most.



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Senator Galloway  
Members of the Committee on Public Health, Human Services and Revenue

Re: Senate Bill 14

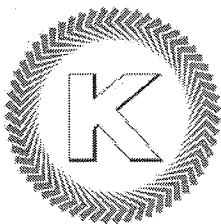
Thank you for the hearing on Senate Bill 14 on Thursday April 21, 2011. Unfortunately, my schedule is already full for today and I cannot come to Madison to testify but would like to offer my written testimony.

Governor Walker has set as one of his goals to make Wisconsin "Open for Business". I agree with that goal. But in order to be "Open for Business" Wisconsin must be competitive with other states. Currently there are many areas where Wisconsin is not competitive and our tax code is one of those areas which I hope the Committee will consider and change.

Currently Wisconsin tax code ignores "bonus depreciation" as allowed by Internal Revenue Tax Regulations. Many states adopt and parallel IRS regulations and thus "bonus depreciation" is allowed both consistent and timely with the Federal changes.

Kinetic completed an addition in 2009. You can see the construction process at [www.knifemaker.com/news13.html](http://www.knifemaker.com/news13.html). Included in that addition were equipment for which we received IRS "bonus depreciation" of \$672,746 but was not allowed for Wisconsin tax purposes. This elimination of bonus depreciation for Wisconsin tax purposes cost Kinetic precious funds which could have been invested in additional machinery which would have allowed us to hire more people.

Kinetic is a Greendale based company; we have no other locations other than Greendale. It would have been impossible for us to build this addition to our existing facility anywhere other than Greendale. However, if we were looking for a "greenfield" location or were a company with locations in other states the fact that Wisconsin does not allow "bonus depreciation" may very well had lead to locating our addition elsewhere. Bonus depreciation is a key part of the decision making process of locating a facility



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If Wisconsin allowed "bonus depreciation" I understand that the state would lose some immediate tax revenue. But this revenue would be offset by the employment of Wisconsinites looking for work and thus bring in additional tax revenue to the state. A company expanding or building in Wisconsin would also add to the property and manufacturing tax base of Wisconsin. This proposal would not be revenue neutral for Wisconsin; it would be revenue positive.

I trust that the Committee will look favorably on this minor change to the Wisconsin tax code. Business today is extremely competitive and anywhere a manufacturer can "pick up a nickel" helps that business stay in operation and, more importantly, hire people. For Wisconsin to be "Open for Business" manufacturers must be able to invest in new machinery and buildings. By making this change those businesses will be more likely to locate/add on in Wisconsin and the people hired will be Wisconsin citizens and taxpayers.

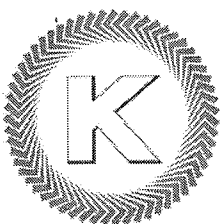
Very truly yours

THE KINETIC CO., INC.



Joseph Masters  
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